



Welfare Advocates

Founded 1979

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Senate Bill 369

Income Tax – Return Preparation Assistance Program for Low-Income Families

Senate Budget and Taxation Committee

February 8, 2022

Support

Welfare Advocates is a statewide coalition of social service organizations, advocacy groups, faith communities, and community members, whose mission it is to educate ourselves, and the wider community and to advocate for an adequate safety net and public policies that support families moving towards economic stability.

Welfare Advocates supports SB 369, which creates an Income Tax Return Preparation Assistance Program for Low-Income Families administered by the Comptroller that will provide eligible tax filers prepared income tax returns by using data already collected by the State.

The Earned Income Tax Credit (EITC) is one of the largest and most successful anti-poverty initiatives for low-income Marylanders, yet many eligible Maryland households do not claim the credit. Approximately 25% of eligible Marylanders do not claim the credit, which is worse than the national EITC participation rate.¹ All tax payers who are financially eligible for the EITC should participate in the program, but research shows that individuals who are self-employed, living with a disability, live in rural areas, are not proficient in English, or have recent changes in their household makeup are most likely to not claim the EITC. Moreover, studies demonstrate a key way to engage households in claiming the EITC is by sending completed tax forms to eligible households, as suggested in SB 369.²

Assisting eligible Maryland households to claim the EITC, through bills like SB 369, is good for our state's economy. Money received through the EITC boosts local economies, as the additional income is often spent at neighborhood businesses on basic necessities such as clothing, food, and transportation. For every dollar spent by the state on the Earned Income Tax Credit, \$1.24 is returned to the state's economy. The EITC increases the economic security of low-income tax payers as they work to rebuild their lives in the wake of the pandemic, and our state should pursue all available avenues to assist households with claiming the EITC.

The Earned Income Tax Credit is a tested, successful program. It engages Marylanders in the workforce, reduces the racial wealth gap, and grows our economy. Maryland should take advantage of past EITC success and continue to grow the program by assisting low-income working households to receive the credit.

WA appreciates your consideration, and respectfully urges a favorable report on SB 369.

Submitted by Lisa Klingenmaier, Chair of Welfare Advocates

¹ IRS Return Data, 20219

² CBPP. 2021. *States Can Adopt or Expand EITC to Build Equitable, Inclusive Communities and Economies*
